



Request for City Council Committee Action

Date: December 10, 2013

To: Sandra Colvin Roy, Chair, Transportation and Public Works Committee

Referral to: Lisa Goodman, Chair, Community Development Committee

Subject: **Granting of Exclusive Negotiating Rights for Development above TAD Ramp A and Hawthorne Transportation Center Ramp**

Recommendation: Authorize staff to:

- a) execute an agreement to grant exclusive rights for a period of two years to Downtown Rooftop Golf, LLC, and/or Downtown Rooftop Youth Center, a Minnesota nonprofit (or a related entity) to negotiate airspace leases and other agreements as outlined herein to allow the development of a downtown golf and youth center (with all Mn/DOT fees and third-party costs to be reimbursed by the developer), and
- b) execute an agreement with Mn/DOT granting the City exclusive rights to negotiate an airspace lease with Mn/DOT for the TAD Ramp A.

Previous Directives:

- On November 12, 2013, the City Council authorized CPED and Public Works staff to request that Mn/DOT give the City exclusive rights for a period of two years to negotiate a long-term lease for the TAD Ramp A airspace.
- On November 2, 2007, the City Council approved Resolution 2007R-562 recommending that MnDOT give full consideration to a proposal from Downtown Golf Partners, LLC's application for an air rights lease over the 7th Street TAD Garage.
- On January 7, 2000, the MCDA Board of Commissioners approved the payment of half of the cost of a market feasibility study for the proposed St. Andrew's Golf Academy.
- On July 30, 1999, the City Council: 1) approved Resolution 99R-269 that the St. Andrew's Golf Academy (SAGA) development initiative atop the 7th Street TAD Garage was supported and recognized as a development project meeting key City goals, 2) directed City and MCDA staff to evaluate structural requirements and provide input and oversight to developed engineering architectural plans (to be funded by SAGA), insure minimum impact of SAGA development on garage management and operations, and coordinate the SAGA initiative with Mn/DOT (as owner of the garage) to gain necessary State approvals to secure air rights atop the garage for the SAGA development, and 3) directed staff to return with specific terms of approval for final approval if the SAGA development were found feasible.

- On March 5, 1999, the City Council recommended that the SAGA proposal be separated from the Hawthorne Transportation Center project and directed MCDA and Public Works to identify other sites for the SAGA proposal.
- On October 16, 1998, the City Council directed City staff and MCDA to work with the SAGA developers to select a downtown site for the proposal.

Department Information

Prepared by: Ann Calvert, Principal Project Coordinator, 612-673-5023 and Jon Wertjes, Director, Traffic and Parking Services, 612-673-2614
Approved by: Steve A. Kotke, Director of Public Works _____ Jeremy Hanson Willis Director, CPED _____ Catherine A Polasky, Director of Economic Policy & Development _____
Presenters in Committee: Ann Calvert, Principal Project Coordinator, 612-673-5023 and Jon Wertjes, Director, Traffic and Parking Services, 612-673-2614

Financial Impact

- Future appropriations may be needed for an appraisal of the value of the Hawthorne Transportation Center airspace and for any Mn/DOT fees and third-party costs for which the developer will provide reimbursement.
- Action is within the Business Plan

Community Impact

- Neighborhood Notification: The development concept was presented to the Downtown Minneapolis Neighborhood Association on November 21, 2013, and the North Loop Neighborhood Association Planning and Zoning Committee on November 20, 2013.
- City Goals: Development of the Center will help achieve the A Safe Place to Call Home goal through the provision of support programs for youth; the Jobs and Economic Vitality goal through the provision of an amenity that will help attract and retain downtown businesses; and the Livable Communities, Healthy Lives goal through provision of additional recreational opportunities that encourage a healthy life style.
- Comprehensive Plan: The proposed development will address Policy 4.6.3 (Support youth employment, apprenticeship and mentorship initiatives in preparation for city jobs) and Policy 4.16 (Strengthen Downtown's position as a regional cultural, entertainment and commercial center that serves Downtown employees, visitors and residents).
- Zoning Code: The proposed land uses appear consistent with zoning; additional evaluation will be completed during the due diligence period.
- Living Wage/Business Subsidy: Not applicable; jobs creation is not the intent of the project
- Job Linkage: Not applicable; job creation is not the intent of the project
- Sustainability targets: Development of the Center will provide active recreational opportunities in a location easily accessible by transit, thus helping achieve the healthy weight goal.

Background and Introduction

The concept of a downtown golf facility that would be available year-round first arose in 1998. At the time, it was called the St. Andrews Golf Academy. After a review of possible sites, it was determined by the developer and City staff that the best option would be to utilize the airspace above one of the Third Avenue Distributor (TAD) ramps, in particular the 7th Street or Ramp A, the largest. The TAD ramps are owned by the Minnesota Department of Transportation (Mn/DOT) and operated by the City of Minneapolis under an operating agreement among the City, Mn/DOT and Federal Highway Administration.

As noted in the Previous Directives, the City has taken several actions over the years to support this proposal. However, during most of this time Mn/DOT has not been prepared from a policy or practical point of view to consider such a proposal. In the interim, though, Mn/DOT has formulated an airspace lease policy. This Mn/DOT airspace policy was used, and a subsequent lease granted, for the Target Field ballpark plaza over Interstate 394. The current administration has recently expressed willingness to work with the City and developer to move forward with the golf facility airspace lease concept.

In the meantime, the developer also has evolved the development concept. The proposed downtown golf and youth center concept now contains other athletic facilities in addition to golf and a youth center, as outlined below. This larger facility is proposed to use the airspace over the City-owned Hawthorne Transportation Center (HTC) as well as TAD Ramp A.

This report recommends the selection of Downtown Rooftop Golf, LLC, (and/or its companion nonprofit, Downtown Rooftop Youth Center, or a related entity) as the developer for the airspace over the two ramps through the granting of exclusive rights to negotiate a package of agreements needed to move the project forward. Given the unique nature of the airspace involved and the fact that no other party expressed interest in TAD Ramp A when Mn/DOT solicited proposals from interested parties in 2007, both CPED and Public Works are recommending that no further request for proposals (RFP) process be pursued before granting exclusive rights.

Description of Project

The proposed downtown golf and youth center will cover the entire top of the contiguous HTC and TAD A ramps and will include revised vertical access through the two ramps down to adjacent streets and skyways. The space will include a combination of for-profit athletic facilities centered around golf and a nonprofit program that will be designed and operated in coordination with the University of Minnesota to support Minneapolis youth through mentoring, coaching, learning, playing and social development. The center will include a:

- green roof with performance area,
- club house with training facilities, locker rooms, retail and food service,
- driving range, playing fields and a walking/running track, and
- youth center/education facility

December 10, 2013

Page four

The center is expected to have a total development cost of about \$70 – \$80,000,000. The project is expected to be financed with a combination of private equity and debt financing along with a variety of grants and other sources for the nonprofit youth center aspect of the project. No City funding will be sought.

The proposed location in the airspace above the two ramps will take advantage of the significant amount of space available there and the connections from the ramps to the downtown skyway system, a variety of transportation modes and local facilities (e.g., Target Center, Target Field and Interchange).

Structure of Transaction

The following agreements between the City and developer (in addition to an airspace lease between the City and Mn/DOT for the TAD A Ramp) are envisioned to accommodate the proposed development:

- Sub-lease for the TAD Ramp A airspace
- Lease for the HTC airspace
- Rights-of-entry to provide the access needed during the construction period
- Operating and easement agreement(s) to allow coordination of the two ramps' operations with the Center operation
- Redevelopment contract outlining the minimum improvements to be completed by the developer and the standard contracting requirements

The granting of exclusive rights for a period of two years to negotiate the above agreements (and any others found to be necessary) will give the developer the basis upon which to make the necessary investments to flesh out the development proposal and complete the necessary due diligence (e.g., architectural design, structural evaluations, market feasibility analysis). The exclusive rights agreement will provide that all third-party due diligence costs and Mn/DOT plan review costs will be paid for by the developer (either directly or by reimbursement of any costs paid by the City). Exclusive rights also will allow the developer to start pursuing financing and the grants needed for the nonprofit aspects of the development.

The City also will be working with Mn/DOT to reach agreement on the terms of the airspace lease between the City and Mn/DOT for the TAD A Ramp concurrently with its negotiations with the developer. If appropriate, this negotiation period will be preceded by an exclusive negotiating rights agreement between the City and Mn/DOT, execution of which is also recommended.

During this negotiation period, the developer will be completing the due diligence needed to refine the concept, secure financing and assure all parties that the development can co-exist with the successful continued operation of the two parking facilities.

When sufficient progress has been made, staff will return to the City Council for approval of term sheets for the above agreements (and the airspace lease with Mn/DOT for the TAD A Ramp) and authorization to execute the agreements.

Rendering of proposed center

